

Avista Corp.
1411 East Mission P.O. Box 3727
Spokane, Washington 99220-0500
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Toll Free 800-727-9170



March 8, 2008

Public Utility Commission of Oregon
Attn: Vikie Bailey-Goggins
Administrative Regulatory Operations
550 Capitol St. N.E. Suite 215
Salem, OR 97308-2551

RE: UM 1351

Avista hereby submits for electronic filing the "Stipulation for Final Implementation of Depreciation Rates" and accompanying joint testimony in UM-1351. The original is being provided via overnight mail.

Please direct any questions regarding this filing to Jeanne Pluth at (509) 495-2204 or myself at (509) 495-4316.

Sincerely,

A handwritten signature in black ink, appearing to read "DMeyer", with a horizontal line extending to the right.

David Meyer
Vice President, Chief Counsel Regulatory & Governmental Affairs
Avista Utilities
509-495-4316
david.meyer@avistacorp.com

CERTIFICATE OF SERVICE

I **HEREBY CERTIFY** that I have this day served Avista Corporation's Stipulation, for Implementation of Depreciation Rates Subject to Adjustment, and Joint Testimony in Docket UM-1351, upon the parties listed below by mailing a copy thereof, postage prepaid and/or by electronic mail.

Judy Johnson
Public Utility Commission
PO Box 2148
Salem, OR 97308-2148
Judy.johnson@state.or.us

Ming Peng
Public Utility Commission
PO Box 2148
Salem, OR 97308
ming.peng@state.or.us

Stephanie S. Andrus
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1162 Court St. NE
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W Paula Pyron
Northwest Industrial Gas Users
4113 Wolf Berry Ct.
Lake Oswego, OR 97035-1827
ppyron@nwigu.org

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& Lloyd LLP
1001 SW Fifth Ave., Suite 2000
Portland, OR 97204-1136
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W Citizens' Utilities Board
610 SW Broadway, Suite 308
Portland, OR 97205-3404
Jason@OregonCUB.org
Bob@OregonCUB.org
Lowrey@OregonCUB.org

Dated at Spokane, Washington this 8th day of March, 2008.



Linda Gervais
Manager, Regulatory Policy

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UM 1351

In the Matter of)	
)	
AVISTA CORPORATION, dba)	STIPULATION FOR FINAL
AVISTA UTILITIES,)	IMPLEMENTATION OF
)	DEPRECIATION RATES
Petition Requesting)	
Authority to Revise Its)	
<u>Book Depreciation Rates</u>)	

This Stipulation is entered into for the purpose of implementing Avista Corporation's (Avista) final book depreciation rates.

PARTIES

The Parties to this Stipulation are Avista, the Staff of the Public Utility Commission of Oregon (Staff), the Citizens' Utility Board (CUB), and the Northwest Industrial Gas Users (NWIGU) (collectively, "Parties").

BACKGROUND

1. On October 12, 2007, Avista filed a petition requesting authority to revise its book depreciation rates. The Company requested authorization to revise its book depreciation rates consistent with the results of a study recently undertaken by the Company.¹ That study shows that the annual depreciation expense on the Company's books should be reduced by approximately \$3.1 million based on the average service life rates of gas plant in service as of December 31, 2006. Accordingly, the Company requested authorization to revise its

¹ Avista hired Gannett Fleming, Inc. to undertake a depreciation study of its depreciable electric, gas and common plant in service as of December 31, 2004. The objective of this assignment was to recommend depreciation rates to be utilized by Avista for accounting and ratemaking purposes.

depreciation rates to reflect this \$3.1 million decrease in book depreciation expense. On October 29, 2007, a prehearing conference was held that established the procedural schedule for this Docket.

2. The Parties in this Docket recognized the need for sufficient time for Staff and interested Parties to complete their review of the Company's depreciation study. Accordingly, the Parties entered into a Stipulation on January 14, 2008, that provided for implementation of the Company's proposed new depreciation rates effective January 1, 2008, together with agreement to adjust for any differences between the depreciation rates ultimately approved in this Docket, and the depreciation rates implemented January 1, 2008. This Stipulation was approved by Order No. 08-100 of this Commission, on January 28, 2008.

3. On February 26, 2008, a settlement conference was held, and the participating Parties reached final agreement on revisions to the Company's book depreciation rates. If ultimately approved by the Commission, such rates would constitute the Final Approved Depreciation Rates, as referenced in the earlier Stipulation of January 14, 2008.

AGREEMENT

4. The Parties have agreed to an overall reduction of \$3,427,863 in the annual depreciation expense. (This represents a further \$320,519 reduction in depreciation expense beyond what the Company had originally filed.) Attachment A provides detail of the affected plant accounts and specified depreciation rates.

5. The agreed-upon depreciation rates set forth in this Stipulation shall be effective April 1, 2008, and shall be reflected in base rates coincident with implementation of new base rates resulting from the settlement of all remaining issues in the Company's general rate case in Docket No. UG-181.

6. The adjustment to base rates, as discussed in paragraph 5, above, resulting from this Stipulation, shall be spread as a uniform percentage decrease in margin revenue to Residential Service Schedule 410, General Service Schedule 420 and Transportation Service Schedule 456. The decrease in revenue for each Schedule will be applied as a decrease to the usage (per therm) charges(s). Attachment B shows the rates, and timing thereof, by service schedule resulting from the application of the revenue decrease described above, together with the rate changes set forth in the prior Settlement Stipulation in Docket No. UG-181.

7. The Parties agree that this Stipulation is in the public interest and results in an overall fair, just and reasonable outcome.

8. The Parties agree this Stipulation represents a compromise in the positions of the Parties. As such, conduct, statements, and documents disclosed in the negotiation of this Stipulation shall not be admissible as evidence in this or any other proceeding. Further, this Stipulation sets forth the entire agreement between the Parties and supersedes any and all prior communications, understandings, or agreements, oral or written, between the Parties pertaining to the subject matter of this Stipulation.

9. This Stipulation will be offered into the record in this proceeding as evidence pursuant to OAR 860-014-0085. The Parties agree to support this Stipulation throughout this proceeding and any appeal. The Parties further agree to provide witnesses to sponsor this Stipulation at the hearing, or, in a party's discretion, to provide a representative at the hearing authorized to respond to the Commission's questions on the party's position as may be appropriate.

10. If this Stipulation is challenged by any other party to this proceeding, the Parties to this Stipulation reserve the right to cross-examine witnesses and put on such case as they deem appropriate to respond fully to the issues presented, including the right to raise issues that are

incorporated in the settlement embodied in this Stipulation. Notwithstanding this reservation of rights, the Parties agree that they will continue to support the Commission's adoption of the terms of this Stipulation.

11. Should the Commission fail to adopt the Stipulation, or should the Commission materially modify the Stipulation, any Party hereto shall have the right to withdraw from the Stipulation and proceed with a resolution of all issues in this proceeding.

12. By entering into this Stipulation, no Party shall be deemed to have approved, admitted, or consented to the facts, principles, methods, or theories employed by any other Party in arriving at the terms of this Stipulation. No Party shall be deemed to have agreed that any provision of this Stipulation is appropriate for resolving the issues in any other proceeding.

13. This Stipulation may be executed in counterparts and each signed counterpart shall constitute an original document. The Parties further agree that any facsimile copy of a Party's signature is valid and binding to the same extent as an original signature.

14. This Stipulation may not be modified or amended except by written agreement among all Parties who have executed it.

This Stipulation is entered into by each Party on the date entered below such Party's signature.

DATED this 7th day of March 2008

AVISTA CORPORATION

STAFF OF THE PUBLIC UTILITY
COMMISSION OF OREGON

By: 
Date: _____

By: _____
Date: _____

NORTHWEST INDUSTRIAL GAS USERS

CITIZENS' UTILITY BOARD

By: _____
Date: _____

By: _____
Date: _____

This Stipulation is entered into by each Party on the date entered below such Party's signature.

DATED this ____ day of March 2008

AVISTA CORPORATION

STAFF OF THE PUBLIC UTILITY COMMISSION OF OREGON

By: _____

By: _____

Date: _____

Date: _____

NORTHWEST INDUSTRIAL GAS USERS

CITIZENS' UTILITY BOARD

By: Paula E. Pyron

By: _____

Date: 3/6/08

Date: _____

This Stipulation is entered into by each Party on the date entered below such Party's signature.

DATED this ____ day of March 2008

AVISTA CORPORATION

STAFF OF THE PUBLIC UTILITY
COMMISSION OF OREGON

By: _____

By: [Signature]

Date: _____

Date: March 7, 2008

NORTHWEST INDUSTRIAL GAS USERS

CITIZENS' UTILITY BOARD

By: _____

By: _____

Date: _____

Date: _____

This Stipulation is entered into by each Party on the date entered below such Party's signature.

DATED this _____ day of March 2008

AVISTA CORPORATION

STAFF OF THE PUBLIC UTILITY COMMISSION OF OREGON

By: _____

By: _____

Date: _____

Date: _____

NORTHWEST INDUSTRIAL GAS USERS

CITIZENS' UTILITY BOARD

By: _____

By: Bob Oels

Date: _____

Date: 3-7-08

[1] Account Number	[2] Description	[3] FILED					[8] SETTLEMENT				[11] Reduction in Depreciation Expense due to Settlement
		[4] 2006 Avg. Balance \$	[5] Existing Rate %	[6] Existing Annual Deprec. \$	[7] Study Rate %	[8] Study Proposed Annual Deprec. \$	[9] Increase or (Decrease) \$	[10] Settlement Rate %	[11] Settlement Annual Deprec. \$	[12] Increase or (Decrease) \$	
GAS PLANT - OREGON											
PRODUCTION - LPG & LNG											
311.0	Liquified Petroleum Gas Equipment	67,374	1.85	1,244	5.41	3,645	2,401	5.33	3,591	2,347	(54)
	Total	67,374		1,244		3,645	2,401		3,591	2,347	(54)
DISTRIBUTION PLANT											
375.0	Structures & Improvements	191,762	3.05	5,847	2.40	4,602	(1,245)	2.25	4,315	(1,532)	(288)
376.0	Mains	82,434,223	3.41	2,814,252	1.42	1,170,566	(1,643,686)	1.31	1,079,888	(1,734,364)	(90,678)
378.0	Measuring/Regulating Station Equipment	1,181,089	4.97	58,733	1.41	16,653	(42,080)	1.39	16,417	(42,316)	(236)
379.0	Measuring/Regulating City Gate Equipment	652,399	4.67	30,443	2.09	13,635	(16,808)	1.59	10,373	(20,070)	(3,262)
380.0	Services	51,528,771	4.60	2,371,142	2.02	1,040,881	(1,330,261)	1.78	917,212	(1,453,930)	(123,669)
381.0	Meters	26,036,298	2.91	756,389	2.71	705,584	(50,805)	2.34	609,249	(147,140)	(96,334)
385.0	Measuring/Regulating Industrial Equipment	775,599	5.42	42,051	0.65	5,041	(37,010)	0.65	5,041	(37,010)	0
387.0	Other Equipment	539	(6.12)	(33)	0.00	0	33	0.00	0	33	0
	Total	162,800,680		6,078,824		2,956,963	(3,121,861)		2,642,496	(3,436,328)	(314,467)
GAS GENERAL PLANT											
390.1	Structures & Improvements	1,797,882	6.08	109,353	0.85	15,282	(94,071)	0.62	11,147	(98,206)	(4,135)
391.1	Computer Equipment	6,705	9.49	636	20.00	1,341	705	20.00	1,341	705	0
393.0	Stores Equipment	55,173	3.00	1,655	4.22	2,328	673	4.22	2,328	673	0
394.0	Tools, Shop & Garage Equipment	828,234	4.00	33,160	9.20	76,198	43,038	9.20	76,198	43,038	0
395.0	Laboratory Equipment	343,390	3.19	10,971	12.41	42,615	31,644	12.41	42,615	31,644	0
397.0	Communication Equipment	307,600	4.42	13,609	12.79	39,342	25,733	12.79	39,342	25,733	0
397.2	Communication Equipment - Portable	7,696	7.15	550	63.85	4,914	4,364	63.85	4,914	4,364	0
	Total	3,346,680		169,934		182,019	12,085		177,884	7,950	(4,135)
GAS TRANSPORTATION PLANT											
392.0	Transportation Equipment	16,932	8.41	1,424	8.41	1,424	(0)	3.44	582	(842)	(842)
396.0	Power Operated Equipment	26,056	7.46	1,945	7.58	1,975	30	3.66	954	(991)	(1,021)
	Total	42,988		3,369		3,399	30		1,536	(1,833)	(1,863)
TOTAL GAS PLANT - OREGON		166,257,722		6,253,371		3,146,026	(3,107,345)		2,825,508	(3,427,863)	(320,519)

OPUC STAFF MODEL

PROPOSED RATES SPREAD AND RATE DESIGN PER DEPRECIATION STIPULATION & UG-181 SETTLEMENT AGREEMENT

Line #	OREGON TOTAL	Residential Service SCH 410	General Service SCH 420	Large General Service SCH 424	Interruptible Service SCH 440	Seasonal Contracts SCH 444	Special Contracts SCH 447	Transportation Service SCH 456
1	125,959,650	49,373,825	28,349,061	3,709,830	3,355,306	186,221	5,673,162	2,240,379
2		\$ 1,429,14	\$ 1,345,58	\$ 1,254,02	\$ 0,948,98	\$ 1,253,76	NA	Various
3		First 20	Next 30	Next 250	Next 200	Over 500		
4		4,104,435	7,199,917	17,490,196	17,490,196	1,351,543		35,312,245
5		\$ 0,129,00	\$ 0,077,57	\$ 0,063,73	\$ 0,049,84	\$ 0,025,20		\$ 2,322,979
6	\$ 119,571,215	\$ 70,592,108	\$ 38,140,260	\$ 4,652,201	\$ 3,184,118	\$ 233,476	\$ 476,072	\$ 187,500
7	92,418	81,424	10,808	98	40	8	4	\$ 81,000
8		\$ 5	\$ 65	\$ 65	\$ 0	\$ 0	\$ 0	\$ 2,403,979
9	\$ 6,821,056	\$ 4,895,440	\$ 778,176	\$ 76,440	\$ 0	\$ 0	\$ 0	\$ 7,910
10	\$ 125,392,271	\$ 75,447,548	\$ 38,918,436	\$ 4,728,641	\$ 3,184,118	\$ 233,476	\$ 476,072	\$ 21,019
11								\$ 4,384
12	\$ 321,000	\$ 20,566,063	\$ 7,407,019	\$ 734,731	\$ 468,300	\$ 32,989	\$ 476,073	0.87%
13		67.70%	24.38%	0.00%	0.00%	0.00%	0.00%	\$ 21,019
14		\$ 217,325	\$ 78,271	\$ 0	\$ 0	\$ 0	\$ 0	\$ 167,500
15	\$ 321,000	\$ 220,549	\$ 79,432	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
16		-\$ 3,223	-\$ 1,161	\$ 0	\$ 0	\$ 0	\$ 0	\$ 21,019
17								\$ 0
18	\$ 866,000	0.97%	0.87%	-2.00%	-1.75%	-2.00%	0.00%	0.00%
19		\$ 659,667	\$ 340,279	-\$ 94,573	-\$ 55,722	-\$ 4,670	\$ 0	\$ 0
20	\$ 866,000	\$ 50	\$ 7,000	\$ 56,500	\$ 0	\$ 0	\$ 0	\$ 0
21	\$ 607,068	\$ 488,544	\$ 129,696	-\$ 11,172	-\$ 55,722	-\$ 4,670	\$ 0	\$ 0
22		\$ 171,123	\$ 210,983	\$ 83,401	-\$ 55,722	-\$ 4,670	\$ 0	\$ 0
23		-\$ 49,426	\$ 131,150	-\$ 85,722	-\$ 4,670	\$ 0	\$ 0	\$ 0
24		-0.0700%	0.3439%	-1.7927%	-1.7500%	-2.0000%	0.0000%	0.0000%
25		\$ 1,428,14	\$ 1,350,01	\$ 1,231,54	\$ 0,932,37	\$ 1,228,68	NA	NA
26		\$ 0,129,00	\$ 0,077,57	\$ 0,063,73	\$ 0,049,84	\$ 0,025,20		
27	\$ 724,000	41.05%	23.57%	3.08%	2.79%	0.15%	0.00%	29.36%
28		100.00%	58.10%	4.37%	3.95%	0.22%	0.00%	0.00%
29		100.00%	55.72%	4.19%	3.79%	0.21%	0.00%	4.11%
30		\$ 403,367	\$ 231,613	\$ 30,310	\$ 27,413	\$ 1,521	\$ 0	\$ 29,756
31	\$ 693,000	0.73%	0.73%	-2.00%	-1.75%	-2.00%	0.00%	0.73%
32		\$ 547,888	\$ 282,619	-\$ 94,573	-\$ 55,722	-\$ 4,670	\$ 0	\$ 17,457
33	\$ 693,000	\$ 6,000	\$ 8,000	\$ 46,000	\$ 0	\$ 0	\$ 0	\$ 187,500
34		\$ 607,068	\$ 488,544	\$ 129,696	-\$ 11,172	-\$ 4,670	\$ 0	\$ 0
35		\$ 85,932	\$ 152,923	\$ 83,401	-\$ 55,722	-\$ 4,670	\$ 0	\$ 17,457
36	\$ 724,000	\$ 406,610	\$ 232,774	\$ 30,310	\$ 27,413	\$ 1,521	\$ 0	\$ 25,372
37	\$ 809,932	\$ 465,954	\$ 395,698	-\$ 53,091	-\$ 28,309	-\$ 3,148	\$ 0	\$ 42,829
38		0.6603%	1.0113%	-1.1412%	-0.8891%	-1.3484%	NA	1.8437%
39		0.5903%	1.3515%	-2.9339%	-2.3391%	-3.3684%	NA	1.8437%
40		\$ 1,437,58	\$ 1,363,61	\$ 1,217,23	\$ 0,923,94	\$ 1,211,78	NA	NA
41		\$ 0,131,38	\$ 0,079,90	\$ 0,064,90	\$ 0,050,76	\$ 0,025,66		
42		\$ 117,953,271	\$ 70,978,636.13	\$ 38,657,108	\$ 31,100,087	\$ 225,659	\$ 476,072	NA
43		\$ 2,365,808	\$ 539,234.04	\$ 688,794.63	\$ 335,309.20	\$ 34,686.83	\$ 0	\$ 2,365,808
44		\$ 127,354,271	\$ 76,841,164	\$ 39,694,676	\$ 4,569,805	\$ 225,659	\$ 476,072	\$ 2,446,808
45		\$ 1,962,000	\$ 1,393,616	\$ 776,240	-\$ 159,836	-\$ 84,031	\$ 0	\$ 42,829
46		1.56%	1.85%	1.99%	-3.36%	-3.35%	0.00%	1.78%

(1) Schedules 424 and 444 are to receive a 4% revenue requirement reduction and Schedule 440 is to receive a 3.5% reduction. The resulting net revenue requirement increase is to be achieved through a uniform percentage increase applied to the current pro forma revenues/revenue requirement of Schedules 410, 420, and 456.
 (2) The Customer Charge for Schedule 410 is to be increased from \$5 per month to \$6. The Customer Charge for Schedule 420 is to be increased from \$6 per month to \$8. The Customer Charge for Schedule 424 is to be reduced by \$19 per month.
 (3) Half the charges called for in (1) and (2) are to take place on April 1, 2008, with the balance of those changes to take place on Nov. 1, 2008.
 (4) The Jackson Prairie Storage (JP) revenue requirement is to be allocated in proportion to the Schedules' relative shares of Annual Thermo (Special Contracts Sched. 447 excluded), with 14% of the rev. req. allocated in proportion to the share of total annual throughput (i.e., Transportation Service Sched. 456 included) and 86% allocated in proportion to the shares of retail sales.
 (5) The revenue requirement decrease owing to the Depreciation Stipulation is limited to Schedules 410, 420, and 456, and spread in proportion to current "margin" revenues, with the constraint that a portion of the Schedule 456 decrease (with offsets to Schedules 410 and 420) is postponed to Nov. 1 to avoid a rates decrease in April 1 only to be followed by a partially offsetting rates increase seven months later (Nov. 1).

Docket UM 1351
Stipulating Parties Exhibit 100
Peng, Norwood, Jenks and Pyron

BEFORE THE
PUBLIC UTILITY COMMISSION OF OREGON

JOINT TESTIMONY OF MING PENG, KELLY O. NORWOOD,
BOB JENKS AND PAULA E. PYRON

**In Support of Stipulation for Final
Implementation of Depreciation Rates**

March 2008

1 **Q. Please state your names and positions.**

2 A. My name is Ming Peng. I am employed by the Public Utility Commission of
3 Oregon (“PUC”) as a Public Utility Analyst in the Economic Research and Financial
4 Analysis Division and am appearing here on behalf of the Staff of the PUC (“Staff”). I
5 have been an analyst at the PUC since 1999, working in areas including Cost of Capital
6 Analysis, Fixed Income Security Analysis, Financial Risk Analysis on Merger &
7 Acquisition, Electricity Load and Price Forecasting, Weather Normalization, Public
8 Utility Auditing, Industrial Property Retirement and Depreciation Rates, Market
9 Competition Survey on Telecom Industry, Sampling Design for Revenue Issues. I have a
10 Bachelor’s degree in Statistics from People’s University of China and Master’s degree in
11 Agricultural Economics from University of Idaho. Further, I am a Certified Rate of
12 Return Analyst (CRRA) from Society of Utility and Regulatory Financial Analysts in
13 US.

14 My name is Kelly O. Norwood. I am employed by Avista Corporation (“the
15 Company”) as the Vice-President of State & Federal Regulation. I am a graduate of
16 Eastern Washington University with a Bachelor of Arts Degree in Business
17 Administration, majoring in Accounting. I joined the Company in June of 1981. Over
18 the past 26 years, I have spent approximately 15 years in the Rates Department with
19 involvement in cost of service, rate design, revenue requirements and other aspects of
20 ratemaking. I spent approximately 11 years in the Energy Resources Department (power
21 supply and natural gas supply) in a variety of roles, with involvement in resource
22 planning, system operations, resource analysis, negotiation of power contracts, and risk

1 management. I was appointed Vice-President of State & Federal Regulation in March
2 2002.

3 My name is Bob Jenks. I am the Executive Director of the Citizens' Utility Board
4 ("CUB"). I am a graduate of Willamette University with a Bachelor of Science Degree in
5 Economics. I have provided testimony and comments in a variety of PUC dockets.
6 Between 1982 and 1991, I worked for the Oregon State Public Interest Research Group,
7 the Massachusetts Public Interest Group and the Fund for Public Interest Research on a
8 variety of public policy issues. As Executive Director, my responsibilities include the
9 review of all filings in Oregon and to represent the customers' concerns that have arisen
10 from this Docket.

11 My name is Paula E. Pyron. I am an experienced energy law attorney serving the
12 last seven years as the Executive Director of the Northwest Industrial Gas Users
13 ("NWIGU"). In addition to my 25 years of energy law experience, I have a Bachelor of
14 Science in Economics from the University of Texas at Dallas. NWIGU is a non-profit
15 trade association of 33 industrial-sized natural gas end users who have facilities in the
16 states of Oregon, Washington and Idaho. NWIGU provides information to its members
17 on natural gas issues that impact their facilities and represents its members' interests in
18 proceedings before the Federal Energy Regulatory Commission and the Pacific
19 Northwest state utility commissions, including the PUC of Oregon. As Executive
20 Director, my responsibilities include the review of all filings made by LDCs in Oregon as
21 well as the representation of the industrial customers' issues in connection with this
22 Docket.

1 Hereafter, Staff, the Company, CUB and NWIGU will collectively be referred to
2 as the “Parties.”

3 **Q. Are there any intervening parties in this Docket that did not sign the Stipulation?**

4 A. No, there are not. As such, the Parties to the Stipulation represent all parties in this
5 proceeding.

6 **Q. What is the purpose of your joint testimony?**

7 A. The purpose of our joint testimony is to describe and support the Stipulation between
8 Commission Staff, CUB, NWIGU, and the Company (“Signing Parties”) in Docket UM
9 1351. The Stipulation is attached herewith as Exhibit 101. On October 12, 2007, the
10 Company filed a petition requesting authority to revise its book depreciation rates. The
11 Company requested authorization to revise its book depreciation rates consistent with
12 the results of a study recently undertaken by the Company.¹ That study shows that the
13 annual depreciation expense on the Company’s books should be reduced by
14 approximately \$3.1 million based on the average service life rates of gas plant in service
15 as of December 31, 2006. Accordingly, the Company requested authorization to revise
16 its depreciation rates to reflect this \$3.1 million decrease in book depreciation expense.

17 On October 29, 2007, a prehearing conference was held that established the
18 procedural schedule for this docket. The Parties in this Docket recognized the need for
19 sufficient time for Staff and interested Parties to complete their review of the Company’s
20 depreciation study. Accordingly, the Parties entered into a Stipulation on January 14,
21 2008, that provided for implementation of the Company’s proposed new depreciation

1 Avista hired Gannett Fleming, Inc. to undertake a depreciation study of its depreciable electric, gas and common plant in service as of December 31, 2004. The objective of this assignment was to recommend depreciation rates to be utilized by Avista for accounting and ratemaking purposes.

1 rates effective January 1, 2008, together with agreement to adjust for any differences
2 between the depreciation rates ultimately approved in this Docket, and the depreciation
3 rates implemented January 1, 2008. This Stipulation was approved by Order No. 08-100
4 of this Commission, on January 28, 2008.

5 On February 26, 2008, a settlement conference was held, and the participating
6 Parties reached final agreement on revisions to the Company's book depreciation rates.
7 If ultimately approved by the Commission, such rates would constitute the Final
8 Approved Depreciation Rates, as referenced in the earlier Stipulation of January 14,
9 2008.

10 **Q. Could you please describe the terms of the Stipulation?**

11 A. Yes. The Parties have agreed to an overall reduction of \$3,427,863 in the annual
12 depreciation expense. (This represents a further \$320,519 reduction in depreciation
13 expense beyond what the Company had originally filed.) The Stipulation in Attachment
14 A provides detail of the affected plant accounts and specified depreciation rates.

15 The agreed-upon depreciation rates set forth in this Stipulation shall be effective
16 April 1, 2008, and shall be reflected in base rates coincident with implementation of new
17 base rates resulting from the settlement of all remaining issues in the Company's general
18 rate case in Docket No. UG-181.

19 The adjustment to base rates, resulting from this Stipulation, shall be spread as a
20 uniform percentage decrease in margin revenue to Residential Service Schedule 410,
21 General Service Schedule 420 and Transportation Service Schedule 456. The decrease in
22 revenue for each Schedule will be applied as a decrease to the usage (per therm)
23 charges(s). The Stipulation in Attachment B shows the rates, and timing thereof, by

1 service schedule resulting from the application of the revenue decrease described above,
2 together with the rate changes set forth in the prior Settlement Stipulation in Docket No.
3 UG-181.

4 **Q. Are the Stipulating Parties requesting that the Commission act on this stipulation**
5 **prior to the end of March 2008?**

6 A. Yes. In order for the Company to implement the revised base rates due to the change in
7 depreciation rates by April 1, 2008, the Parties respectfully request the Commission to
8 enter its order approving the Stipulation before the end of March 2008.

9 **Q. What other terms do the Stipulations include?**

10 A. Stipulations represent negotiated compromises among the Parties. Thus, the Parties have
11 agreed that no particular party shall be deemed to have approved the facts, principles,
12 methods, or theories employed by any other in arriving at this Stipulation, and that the
13 terms incorporated in this Stipulation should not be viewed as precedent setting in
14 subsequent proceedings. In addition, the Parties have the right to withdraw from the
15 Stipulation if any material part is rejected or modified by the Commission.

16 **Q. Do these Stipulations represent a complete resolution of all issues in this docket?**

17 A. Yes.

18 **Q. What do the Parties recommend regarding the Stipulation?**

19 A. We recommend that the Commission adopt the Stipulation in its entirety.

20 **Q. Does that complete your joint testimony in this proceeding?**

21 A. Yes, it does.

BEFORE THE OREGON PUBLIC UTILITY COMMISSION

Exhibit 101

Stipulation for Final Implementation of Depreciation Rates

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UM 1351

In the Matter of)	
)	
AVISTA CORPORATION, dba)	STIPULATION FOR FINAL
AVISTA UTILITIES,)	IMPLEMENTATION OF
)	DEPRECIATION RATES
Petition Requesting)	
Authority to Revise Its)	
<u>Book Depreciation Rates</u>)	

This Stipulation is entered into for the purpose of implementing Avista Corporation's (Avista) final book depreciation rates.

PARTIES

The Parties to this Stipulation are Avista, the Staff of the Public Utility Commission of Oregon (Staff), the Citizens' Utility Board (CUB), and the Northwest Industrial Gas Users (NWIGU) (collectively, "Parties").

BACKGROUND

1. On October 12, 2007, Avista filed a petition requesting authority to revise its book depreciation rates. The Company requested authorization to revise its book depreciation rates consistent with the results of a study recently undertaken by the Company.¹ That study shows that the annual depreciation expense on the Company's books should be reduced by approximately \$3.1 million based on the average service life rates of gas plant in service as of December 31, 2006. Accordingly, the Company requested authorization to revise its

¹ Avista hired Gannett Fleming, Inc. to undertake a depreciation study of its depreciable electric, gas and common plant in service as of December 31, 2004. The objective of this assignment was to recommend depreciation rates to be utilized by Avista for accounting and ratemaking purposes.

depreciation rates to reflect this \$3.1 million decrease in book depreciation expense. On October 29, 2007, a prehearing conference was held that established the procedural schedule for this Docket.

2. The Parties in this Docket recognized the need for sufficient time for Staff and interested Parties to complete their review of the Company's depreciation study. Accordingly, the Parties entered into a Stipulation on January 14, 2008, that provided for implementation of the Company's proposed new depreciation rates effective January 1, 2008, together with agreement to adjust for any differences between the depreciation rates ultimately approved in this Docket, and the depreciation rates implemented January 1, 2008. This Stipulation was approved by Order No. 08-100 of this Commission, on January 28, 2008.

3. On February 26, 2008, a settlement conference was held, and the participating Parties reached final agreement on revisions to the Company's book depreciation rates. If ultimately approved by the Commission, such rates would constitute the Final Approved Depreciation Rates, as referenced in the earlier Stipulation of January 14, 2008.

AGREEMENT

4. The Parties have agreed to an overall reduction of \$3,427,863 in the annual depreciation expense. (This represents a further \$320,519 reduction in depreciation expense beyond what the Company had originally filed.) Attachment A provides detail of the affected plant accounts and specified depreciation rates.

5. The agreed-upon depreciation rates set forth in this Stipulation shall be effective April 1, 2008, and shall be reflected in base rates coincident with implementation of new base rates resulting from the settlement of all remaining issues in the Company's general rate case in Docket No. UG-181.

6. The adjustment to base rates, as discussed in paragraph 5, above, resulting from this Stipulation, shall be spread as a uniform percentage decrease in margin revenue to Residential Service Schedule 410, General Service Schedule 420 and Transportation Service Schedule 456. The decrease in revenue for each Schedule will be applied as a decrease to the usage (per therm) charges(s). Attachment B shows the rates, and timing thereof, by service schedule resulting from the application of the revenue decrease described above, together with the rate changes set forth in the prior Settlement Stipulation in Docket No. UG-181.

7. The Parties agree that this Stipulation is in the public interest and results in an overall fair, just and reasonable outcome.

8. The Parties agree this Stipulation represents a compromise in the positions of the Parties. As such, conduct, statements, and documents disclosed in the negotiation of this Stipulation shall not be admissible as evidence in this or any other proceeding. Further, this Stipulation sets forth the entire agreement between the Parties and supersedes any and all prior communications, understandings, or agreements, oral or written, between the Parties pertaining to the subject matter of this Stipulation.

9. This Stipulation will be offered into the record in this proceeding as evidence pursuant to OAR 860-014-0085. The Parties agree to support this Stipulation throughout this proceeding and any appeal. The Parties further agree to provide witnesses to sponsor this Stipulation at the hearing, or, in a party's discretion, to provide a representative at the hearing authorized to respond to the Commission's questions on the party's position as may be appropriate.

10. If this Stipulation is challenged by any other party to this proceeding, the Parties to this Stipulation reserve the right to cross-examine witnesses and put on such case as they deem appropriate to respond fully to the issues presented, including the right to raise issues that are

incorporated in the settlement embodied in this Stipulation. Notwithstanding this reservation of rights, the Parties agree that they will continue to support the Commission's adoption of the terms of this Stipulation.

11. Should the Commission fail to adopt the Stipulation, or should the Commission materially modify the Stipulation, any Party hereto shall have the right to withdraw from the Stipulation and proceed with a resolution of all issues in this proceeding.

12. By entering into this Stipulation, no Party shall be deemed to have approved, admitted, or consented to the facts, principles, methods, or theories employed by any other Party in arriving at the terms of this Stipulation. No Party shall be deemed to have agreed that any provision of this Stipulation is appropriate for resolving the issues in any other proceeding.

13. This Stipulation may be executed in counterparts and each signed counterpart shall constitute an original document. The Parties further agree that any facsimile copy of a Party's signature is valid and binding to the same extent as an original signature.


14. This Stipulation may not be modified or amended except by written agreement among all Parties who have executed it.

This Stipulation is entered into by each Party on the date entered below such Party's signature.

DATED this 7th day of March 2008

AVISTA CORPORATION

STAFF OF THE PUBLIC UTILITY
COMMISSION OF OREGON

By: 
Date: _____

By: _____
Date: _____

NORTHWEST INDUSTRIAL GAS USERS

CITIZENS' UTILITY BOARD

By: _____
Date: _____

By: _____
Date: _____

This Stipulation is entered into by each Party on the date entered below such Party's signature.

DATED this _____ day of March 2008

AVISTA CORPORATION

STAFF OF THE PUBLIC UTILITY
COMMISSION OF OREGON

By: _____

By: _____

Date: _____

Date: _____

NORTHWEST INDUSTRIAL GAS USERS

CITIZENS' UTILITY BOARD

By: Paula E. Pyron

By: _____

Date: 3/6/08

Date: _____

This Stipulation is entered into by each Party on the date entered below such Party's signature.

DATED this ____ day of March 2008

AVISTA CORPORATION

STAFF OF THE PUBLIC UTILITY COMMISSION OF OREGON

By: _____

By: Shy 8 Cs

Date: _____

Date: March 7, 2008

NORTHWEST INDUSTRIAL GAS USERS

CITIZENS' UTILITY BOARD

By: _____

By: _____

Date: _____

Date: _____

This Stipulation is entered into by each Party on the date entered below such Party's signature.

DATED this ____ day of March 2008

AVISTA CORPORATION

STAFF OF THE PUBLIC UTILITY COMMISSION OF OREGON

By: _____

By: _____

Date: _____

Date: _____

NORTHWEST INDUSTRIAL GAS USERS

CITIZENS' UTILITY BOARD

By: _____

By: Bob O'Neil

Date: _____

Date: 3-7-08

[1] Account Number	[2] Description	[3] FILED					[8] SETTLEMENT				
		[4] 2006 Avg. Balance \$	[5] Existing Rate %	[6] Existing Annual Deprec. \$	[7] Study Rate %	[8] Study Proposed Annual Deprec. \$	[9] Increase or (Decrease) \$	[10] Settlement Rate %	[11] Settlement Annual Deprec. \$	[12] Increase or (Decrease) \$	[13] Reduction in Depreciation Expense due to Settlement \$
GAS PLANT - OREGON											
PRODUCTION - LPG & LNG											
311.0	Liquified Petroleum Gas Equipment	67,374	1.85	1,244	5.41	3,645	2,401	5.33	3,591	2,347	(54)
	Total	67,374		1,244		3,645	2,401		3,591	2,347	(54)
DISTRIBUTION PLANT											
375.0	Structures & Improvements	191,762	3.05	5,847	2.40	4,602	(1,245)	2.25	4,315	(1,532)	(288)
376.0	Mains	82,434,223	3.41	2,814,252	1.42	1,170,566	(1,643,686)	1.31	1,079,888	(1,734,364)	(90,678)
378.0	Measuring/Regulating Station Equipment	1,181,089	4.97	58,733	1.41	16,653	(42,080)	1.39	16,417	(42,316)	(236)
379.0	Measuring/Regulating City Gate Equipment	652,399	4.67	30,443	2.09	13,635	(16,808)	1.59	10,373	(20,070)	(3,262)
380.0	Services	51,528,771	4.60	2,371,142	2.02	1,040,881	(1,330,261)	1.78	917,212	(1,453,930)	(123,669)
381.0	Meters	26,036,298	2.91	756,389	2.71	705,584	(50,805)	2.34	609,249	(147,140)	(96,334)
385.0	Measuring/Regulating Industrial Equipment	775,599	5.42	42,051	0.65	5,041	(37,010)	0.65	5,041	(37,010)	0
387.0	Other Equipment	539	(6.12)	(33)	0.00	0	33	0.00	0	33	0
	Total	162,800,680		6,078,824		2,956,963	(3,121,861)		2,642,496	(3,436,328)	(314,467)
GAS GENERAL PLANT											
390.1	Structures & Improvements	1,797,882	6.08	109,353	0.85	15,282	(94,071)	0.62	11,147	(98,206)	(4,135)
391.1	Computer Equipment	6,705	9.49	636	20.00	1,341	705	20.00	1,341	705	0
393.0	Stores Equipment	55,173	3.00	1,655	4.22	2,328	673	4.22	2,328	673	0
394.0	Tools, Shop & Garage Equipment	828,234	4.00	33,160	9.20	76,198	43,038	9.20	76,198	43,038	0
395.0	Laboratory Equipment	343,390	3.19	10,971	12.41	42,615	31,644	12.41	42,615	31,644	0
397.0	Communication Equipment	307,600	4.42	13,609	12.79	39,342	25,733	12.79	39,342	25,733	0
397.2	Communication Equipment - Portable	7,696	7.15	550	63.85	4,914	4,364	63.85	4,914	4,364	0
	Total	3,346,680		169,934		182,019	12,085		177,884	7,950	(4,135)
GAS TRANSPORTATION PLANT											
392.0	Transportation Equipment	16,932	8.41	1,424	8.41	1,424	(0)	3.44	582	(842)	(842)
396.0	Power Operated Equipment	26,056	7.46	1,945	7.58	1,975	30	3.66	954	(991)	(1,021)
	Total	42,988		3,369		3,399	30		1,536	(1,833)	(1,863)
	TOTAL GAS PLANT - OREGON	166,257,722		6,253,371		3,146,026	(3,107,345)		2,825,508	(3,427,863)	(320,519)

OPUC STAFF MODEL

PROPOSED RATES SPREAD AND RATE DESIGN PER DEPRECIATION STIPULATION & UG-181 SETTLEMENT AGREEMENT

Line #	OREGON TOTAL	Residential Services SCH 410	General Services SCH 420	Large General Services SCH 424	Interruptible Service SCH 440	Seasonal Service SCH 444	Special Contracts SCH 447	Transportation Service SCH 456
1	125,959,650	49,373,825	28,349,061	3,709,830	3,355,308	186,221	5,673,162	35,312,245
2		\$ 1,429,14	\$ 1,345,58	\$ 1,254,02	\$ 0,948,88	\$ 1,253,76	NA	Various
3	Schedule 456 Block Definitions (In thousand Therms)							
4	Schedule 456 Block Volumetric Rates (Therms)	4,104,435	7,199,917	5,186,154	17,490,196	1,351,543		35,312,245
5	Schedule 456 Beginning Rates (\$/therm)	\$ 0.12900	\$ 0.07757	\$ 0.06373	\$ 0.04984	\$ 0.02520		\$ 2,322,979
6	Beginning Volumetric Revenues	\$ 529,418	\$ 562,108	\$ 338,140	\$ 700,260	\$ 33,184,118		\$ 187,500
7	TEST PERIOD AVERAGE CUSTOMERS	92,418	81,424	10,808	98	40	4	\$ 81,000
8	Beginning Customer Charge (\$/month)	\$ 5,821,056	\$ 4,885,440	\$ 778,176	\$ 76,440	\$ 0	\$ 0	\$ 2,403,979
9	Beginning Customer Charge Revenues	\$ 125,392,271	\$ 75,447,548	\$ 38,918,436	\$ 4,728,641	\$ 3,184,118	\$ 476,072	\$ 2,403,979
10	BEGINNING TOTAL REVENUES							
11		\$ 321,000	\$ 20,566,063	\$ 7,407,019	\$ 468,300	\$ 32,989	\$ 476,073	\$ 2,403,979
12	Revenue Requirement Decrease from Depreciation Stipulation							
13	Current Margin = Total Revenues minus Gas Costs	\$ 32,089,154	\$ 67,709	\$ 24,389	\$ 0.00%	\$ 0.00%	\$ 0.00%	\$ 7,919
14	Share (Excluding Schedules 424, 440, 444, 447) of Current Margin	100.00%	\$ 217,325	\$ 78,271	\$ 0	\$ 0	\$ 0	\$ 25,403
15	Unconstrained Allocation of Revenue Requirement Decrease	\$ 321,000	\$ 220,549	\$ 79,432	\$ 0	\$ 0	\$ 0	\$ 21,019
16	Temporarily Constrained Allocation of Revenue Requirement Decrease (*)	\$ 0	\$ -33,223	\$ -1,161	\$ 0	\$ 0	\$ 0	\$ 4,384
17	Revenue Requirement Decrease (+) or Increase (-) Carried Over to Nov. 1							
18	Other Revenue Requirement Increase – April 1, 2008							
19	Proposed rev. req. adjustment (% over beginning total rev's)	0.87%	0.87%	-2.00%	-1.75%	-2.00%	0.00%	0.87%
20	Proposed rev. req. adjustment (\$)	\$ 866,000	\$ 659,667	\$ -340,279	\$ -94,573	\$ -55,722	\$ 0	\$ 21,019
21	Proposed monthly customer charge (\$)	\$ 5,500	\$ 7,000	\$ 55,500	\$ 0	\$ 0	\$ 0	\$ 187,500
22	Revenue Requirement Increase from Customer Charge	\$ 607,068	\$ 488,544	\$ 129,696	\$ -11,172	\$ -4,670	\$ 0	\$ 0
23	Revenue Requirement Increase from Volumetric Charges	\$ 258,932	\$ 171,123	\$ 210,583	\$ -83,401	\$ -55,722	\$ 0	\$ 21,019
24	Combined Depreciation Decrease and Other: Rev. Req. Volumetric Charge Increase (+)	\$ -62,068	\$ -49,426	\$ 131,150	\$ -83,401	\$ -55,722	\$ 0	\$ 0
25	Percentage Revenue Requirement Increase Applied to Volumetric Charges		0.4399%	0.3439%	-1.7500%	-2.0000%	0.0000%	0.0000%
26	Proposed Volumetric Rates, Tariff Sales Schedules	\$ 14,281.4	\$ 13,500.1	\$ 11,231.54	\$ 0.93237	\$ 11.23668	NA	NA
27	Proposed Schedule 456 Block Rates	\$ 0.12900	\$ 0.07757	\$ 0.06373	\$ 0.04984	\$ 0.02520		
28								
29	Revenue Requirement Increase Due to JP Storage Addition -- 11/01/08							
30	Share (Excluding Special Contracts) of Annual Therms Throughput	100.00%	41.05%	23.57%	3.08%	2.79%	0.00%	29.36%
31	Share (Excluding Special Contracts) of Annual Sales Therms	100.00%	58.10%	33.36%	4.37%	3.95%	0.00%	0.00%
32	Weighted Shares: 14% Throughput, 86% Sales	100.00%	55.72%	31.99%	4.19%	3.79%	0.00%	4.11%
33	Allocation of JP Revenue Requirement Increase	\$ 724,000	\$ 403,387	\$ 231,613	\$ 30,310	\$ 27,413	\$ 0	\$ 29,756
34								
35	Other Revenue Requirement Increase – November 1, 2008							
36	Proposed rev. req. adjustment (% over beginning total rev's)	0.55%	0.73%	-2.00%	-1.75%	-2.00%	0.00%	0.73%
37	Proposed rev. req. adjustment (\$)	\$ 693,000	\$ 547,888	\$ 282,619	\$ -94,573	\$ -55,722	\$ 0	\$ 17,457
38	Proposed monthly customer charge (\$)	\$ 607,068	\$ 488,544	\$ 129,696	\$ -11,172	\$ -4,670	\$ 0	\$ 187,500
39	Revenue Requirement Increase from Customer Charge	\$ 607,068	\$ 488,544	\$ 129,696	\$ -11,172	\$ -4,670	\$ 0	\$ 0
40	Other Revenue Requirement Increase from Volumetric Charges	\$ 86,932	\$ 59,344	\$ 152,923	\$ -83,401	\$ -55,722	\$ 0	\$ 17,457
41	JP Revenue Requirement Increase Adjusted for April 1 to Nov. 1 Depreciation Decrease Carryover	\$ 724,000	\$ 406,610	\$ 232,774	\$ 30,310	\$ 27,413	\$ 0	\$ 25,372
42	Combined Depreciation Carryover, Other, and JP: Rev. Req. Volumetric Charge Increase	\$ 809,932	\$ 465,954	\$ 385,698	\$ -53,091	\$ -28,309	\$ 0	\$ 42,829
43	Percentage Rev. Req. Increase Applied to Beginning Volumetric Charges		0.6603%	1.0113%	-1.1412%	-0.8891%	NA	1.8437%
44	Combined April 1, Nov. 1 and JP Volumetric Rates Increase (%)		0.5903%	1.3551%	-2.9339%	-3.4844%	NA	1.8437%
45								
46	Proposed Nov. 1 Volumetric Rates, Tariff Sales Schedules							
47	Proposed Nov. 1 Schedule 456 Block Rates	\$ 1,962,000	\$ 1,437,558	\$ 1,363,361	\$ 1,217,233	\$ 0,923,394	\$ 1,211,178	NA
48								
49	Revenues from Nov. 1 Volumetric Rates, Tariff Sales Schedules							
50	Revenues from Nov. 1 Schedule 456 Block Rates	\$ 2,365,808	\$ 559,234.04	\$ 568,794.63	\$ 335,305.20	\$ 897,783.18	\$ 225,659	\$ 2,365,808
51	Revenues from Nov. 1 Customer Charges	\$ 127,354.271	\$ 76,841,164	\$ 39,694,676	\$ 4,569,805	\$ 3,100,087	\$ 476,072	\$ 81,000
52	TOTAL REVENUES FROM PROPOSED NOV. 1 RATES							
53	TOTAL INCREASE OVER THE CURRENT TARIFF (\$)							
54	TOTAL INCREASE OVER THE CURRENT TARIFF (%)	1.56%	1.85%	1.99%	-3.36%	-3.35%	0.00%	1.78%
55								

(1) Schedules 424 and 444 are to receive a 4% revenue requirement reduction and Schedule 440 is to receive a 3.5% reduction. The resulting net revenue requirement increase is to be achieved through a uniform percentage increase applied to the current pro forma revenues/revenue requirement of Schedules 410, 420, and 456.

(2) The Customer Charge for Schedule 410 is to be increased from \$5 per month to \$6. The Customer Charge for Schedule 420 is to be increased from \$6 per month to \$8. The Customer Charge for Schedule 424 is to be reduced by \$19 per month.

(3) Half the changes called for in (1) and (2) are to take place on April 1, 2008, with the balance of those changes to take place on Nov. 1, 2008.

(4) The Jackson Prairie Storage (JP) revenue requirement is to be allocated in proportion to the Schedules' relative shares of Annual Therms (Special Contracts Sched. 447 excluded), with 14% of the rev. req. allocated in proportion to the share of total annual throughput (i.e., Transportation Service Sched. 456 included) and 86% allocated in proportion to the shares of retail sales.

(5) The revenue requirement decrease owing to the Depreciation Stipulation is limited to Schedules 410, 420, and 456, and spread in proportion to current "margin" revenues, with the constraint that a portion of the Schedule 456 decrease (with offsets to Schedules 410 and 420) is postponed to Nov. 1 to avoid a rates decrease in April 1 only to be followed by a partially offsetting rates increase seven months later (Nov. 1).